

CIA INTERNAL USE ONLY

MEMORANDUM FOR: Legislative Counsel

SUBJECT: H.R. 5204, A bill relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories

1. It is our understanding that the State of Maryland and the District of Columbia are actively interested in tightening revenue controls, and, as a consequence, favorable consideration might be given to the passage and local implementation of the subject bill, or a comparable measure. H.R. 5204 authorizes the Secretary of the Treasury to enter into agreements with state and local jurisdictions for the withholding by Federal agencies of State and local income taxes from the salaries of civilian employees.

2. Within the Agency, the Offices immediately concerned would be the Offices of the Comptroller and Security, upon whom would primarily fall the respective burdens of administering a withholding program and of determining a secure procedure for withholding and reporting tax deductions. However, the impact of such a program on employee morale and security problems involved are matters of interest to the Office of Personnel and the Agency generally.

3. The following situations represent some of the complexities which would probably be created by the enactment of this legislation and the imposition of its requirements upon CIA:

a. The determination, listing and external reporting of Agency employees situated in local jurisdictional areas, for withholding tax purposes. (This is administratively complicated because of the fluidity of the metropolitan population, due to changes in assignments, etc., and poses security problems.)

b. Creation of additional administrative burdens on the Comptroller's Office.


4. Moreover, a frequently debated issue is the jurisdictional basis for levying income taxes locally. The State of Maryland has

nothing pending on this or comparable bills, may 55

advocated and enforced its belief that the situs where the income is earned establishes jurisdiction. The language of H.R. 5204 could possibly cause litigation on this issue, and create problems of tax liability based on domicile and situs of employment.

5. If you have not already done so, it is suggested that you solicit the views of the Offices of the Comptroller and Security on the subject bill. This Office would appreciate being advised if there is any prospect that favorable consideration will be given the proposal by Congress.

STATINTL



Harrison G. Reynolds
Director of Personnel

NOTICE OF PENDING LEGISLATION		DATE	16 May 1955
		LEGISLATIVE BILL NO.	H. R. 5204
SECTION I		GENERAL	
TO : Comptroller Director of Security		FROM: LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL	
THE ATTACHED BILL, WHICH HAS BEEN INTRODUCED INTO CONGRESS, IS:			
<input type="checkbox"/> SENT TO YOU FOR INFORMATION ONLY.			
<input type="checkbox"/> A BILL ON WHICH FAVORABLE CONGRESSIONAL ACTION: <input type="checkbox"/> IS <input type="checkbox"/> IS NOT PREDICTED.			
<input type="checkbox"/> SENT FOR YOUR COMMENT AS TO WHETHER IT IS OF INTEREST TO CIA ACTIVITIES, AND WHETHER FURTHER ACTION BY THIS OFFICE IS NECESSARY OR DESIRED.			
<div style="border: 1px solid black; padding: 5px;"> IT IS REQUESTED THAT COMMENTS CONCERNING THIS LEGISLATION BE FORWARDED, THROUGH APPROPRIATE CHANNELS, TO THIS OFFICE, BY _____ </div>			
SECTION II		COMMENTS (From Original Addressee)	
TO : LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL		FROM: Comptroller	
<p>I think it is needless for me to say that if this proposed legislation were enacted into law, an exception will be required either in the legislation or by an agreement with the Treasury Department if the latter can be effected and made binding.</p> <p>We do have an informal understanding now with the Bureau of the Budget and Bureau of Internal Revenue that the salary income of CIA employees will not be reported to States and other Governmental units.</p> <p style="text-align: center; font-size: 2em; transform: rotate(-15deg);"><i>Watch</i></p>			
DATE OF COMMENTS		EXTENSION	
24 May 1955		20001-7	
FORM NO. 488 REPLACES FORM 23-3 1 FEB 55 WHICH MAY BE USED		E. R. Saunders, Comptroller	

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CENTRAL INTELLIGENCE AGENCY
OFFICIAL ROUTING SLIP

TO		INITIALS	DATE
1	Deputy Director (Support)		
2	Legislative Counsel		
3			
4			
5			
FROM		INITIALS	DATE
1	Comptroller		5/24/55
2			
3			

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<input type="checkbox"/> APPROVAL	<input type="checkbox"/> INFORMATION	<input type="checkbox"/> SIGNATURE
<input type="checkbox"/> ACTION	<input type="checkbox"/> DIRECT REPLY	<input type="checkbox"/> RETURN
<input type="checkbox"/> COMMENT	<input type="checkbox"/> PREPARATION OF REPLY	<input type="checkbox"/> DISPATCH
<input type="checkbox"/> CONCURRENCE	<input type="checkbox"/> RECOMMENDATION	<input type="checkbox"/> FILE

Remarks:

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SECTION II		COMMENTS (From Original Addressee)
TO : LEGISLATIVE COUNSEL OFFICE OF GENERAL COUNSEL		FROM:
24 March 1955		84/1
Mr. Ashley of Ohio		
Relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories.		
Distribution:		
2 - Personnel, [REDACTED] 1 April 1955		
<div style="text-align: right;">5 April 55</div>		
1 - Mr. [REDACTED] ✓ Bldg.		
1 - Director of Security - 16 May 55		
1 - Comptroller " "		
DATE OF COMMENTS	SIGNATURE AND TITLE	EXTENSION
Approved For Release 2002/01/02 : CIA-RDP59-00224A000200420001-7		

84TH CONGRESS
1ST SESSION

H. R. 5204

IN THE HOUSE OF REPRESENTATIVES

MARCH 24, 1955

Mr. ASHLEY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

Relating to withholding on the compensation of Federal employees for purposes of the income taxes imposed by certain incorporated political subdivisions of States and Territories.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the first section of the Act entitled "An Act relating
4 to withholding, for State income tax purposes, on the com-
5 pensation of Federal employees", approved July 17, 1952
6 (Public Law 587, Eighty-second Congress; 5 U. S. C., sec.
7 84b), is hereby amended to read as follows: "That where—
8 “(1) the law of any State or Territory, or of any
9 incorporated political subdivision thereof with a popu-
10 lation (according to the last decennial census) of seventy-

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1 five thousand or more persons, provides for the collec-
2 tion of a tax by imposing upon employers generally the
3 duty of withholding sums from the compensation of
4 employees and making returns of such sums to the
5 authorities of such State, Territory, or political subdivi-
6 sion; and

7 “(2) such duty to withhold is imposed generally
8 with respect to the compensation of employees who are
9 residents of such State, Territory, or political subdivision,
10 then the Secretary of the Treasury, pursuant to regulations
11 promulgated by the President, is authorized and directed to
12 enter into an agreement with such State, Territory, or politi-
13 cal subdivision, within one hundred and twenty days of the
14 request for agreement from the proper official of such State,
15 Territory, or political subdivision. Such agreement shall
16 provide that the head of each department or agency of the
17 United States shall comply with the requirements of such law
18 in the case of employees of such agency or department who
19 are subject to such tax and whose regular place of Federal
20 employment is within the State or Territory (or, in the case
21 of an agreement with a political subdivision, within such
22 subdivision or within twenty-five miles of the boundaries

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1 thereof) with which such agreement is entered into. No such
2 agreement shall apply with respect to compensation for
3 service as a member of the Armed Forces of the United
4 States.”

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84TH CONGRESS
1ST SESSION

H. R. 5204

A BILL

Relating to withholding on the compensation
of Federal employees for purposes of the
income taxes imposed by certain incorpo-
rated political subdivisions of States and
Territories.

By Mr. ASHLEY

MARCH 24, 1955

Referred to the Committee on Ways and Means

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